

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
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FISCAL IMPACT STATEMENT

LS 6327

BILL NUMBER: HB 1186

DATE PREPARED: Nov 30, 2001

BILL AMENDED:

SUBJECT: Pension Base for Police Officers and Firefighters.

FISCAL ANALYST: James Sperlik

PHONE NUMBER: 232-9866

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the pension base for a police officer or firefighter includes the part of the officer's clothing allowance that exceeds \$700.

Effective Date: July 1, 2002.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The fiscal impact of this provision is dependent on the increase which would occur in the pension base of first class salaries. *As an illustration*, one could assume that the salary base may increase, on average, from \$35,500 to \$36,300 annually (\$800 additional due to clothing allowance). The fiscal impact of this illustration would be as follows:

	1925, 1937, 1953 Funds	Converted 1977 Plan	Non-Converted 1977 Plan
Increase in Actuarial Liabilities	\$35.23 M	\$5.17 M	\$10.51 M
Increase in Annual Funding	\$1.71 M	\$221,167	21% of payroll (would increase to 22.45%)
Approximate # Members Affected	9,645	1,201	11,375

The total number of members affected is 22,221.

The above costs are to the local units who have members in the funds affected. Pension benefits for police

and firefighters are equivalent to 50% of the salary of a first class officer, as defined by each individual city. Cities and towns with members in the affected funds appropriate money from police and fire pension funds. The sources of these funds are property taxes, Motor Vehicle Excise Taxes, and Financial Institutions Taxes.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the Police and Fire Pension Funds.

Local Agencies Affected: Cities and Towns with members in the specific funds.

Information Sources: Doug Todd, of McCready and Keene, Inc., actuaries for the police and fire funds, 576-1508.

Additional Information/Definitions:

Old Plan: Members hired before May 1, 1977, who have not elected to convert to the benefit structure under the 1977 Act.

Converted: Members hired before May 1, 1977, who have elected to convert to the benefit structure under the 1977 Act.

Non-Converted 1977 Plan: Members hired after April, 30, 1977, all of whom are covered by the benefit structure under the 1977 Act.

Actuarial Liability: The excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.

Funding: A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.